

TARIFF ACTION MEMO

Date: February 17, 2022

Date Filed: January 18, 2022

Statutory End Date: March 4, 2022

File No: TA395-121 and TA517-8

Name of Utility: Chugach Electric Association, Inc. (Chugach)

Subject: Gas Transfer Price (GTP) and Asset Retirement Obligation (ARO) Compliance Filing

Recommendations

Staff recommends the Commission:

1. Approve Tariff Sheet No. 73.1, filed January 18, 2022, by Chugach with TA395-121, as shown on the attached side-by-side tariff sheet (BA-1). The effective date of the tariff sheet should be March 4, 2022.
2. Approve Tariff Sheet No. 98, filed January 18, 2022, by Chugach with TA517-8, as shown on the attached side-by-side tariff sheet (BA-2). The effective date of the tariff sheet should be March 4, 2022.

Please see attached Staff Memorandum supporting the above recommendations.

Signed: Becki Alvey
Becki Alvey

Title: Utility Tariff Analyst

Commission decision regarding these recommendations:

	<u>Date (if different from 2/17/2022)</u>	<u>I Concur</u>	<u>I Do Not Concur</u>	<u>I Will Write A Dissenting Statement*</u>
Pickett		<u>RMP</u>		
Kurber		<u>KKI</u>		
Scott		<u>AGS</u> AGS		
Sullivan		<u>DS</u> DS		
Wilson		<u>JWW</u> JWW		

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

MEMORANDUM

To: Robert M. Pickett, Chairman
Keith Kurber II
Antony Scott
Daniel A. Sullivan
Janis W. Wilson

Date: January 24, 2022

From: Becki Alvey, Utility Tariff Analyst

Subject: GTP and ARO Compliance Filing

Recommendations

Staff recommends the Commission:

1. Approve Tariff Sheet No. 73.1, filed January 18, 2022, by Chugach with TA395-121, as shown on the attached side-by-side tariff sheet (BA-1). The effective date of the tariff sheet should be March 4, 2022.
2. Approve Tariff Sheet No. 98, filed January 18, 2022, by Chugach with TA517-8, as shown on the attached side-by-side tariff sheet (BA-2). The effective date of the tariff sheet should be March 4, 2022.

Background

On November 5, 2018, the Commission issued Order No. U-18-102(1), opening an investigation into the BRU management practices of the Municipality of Anchorage d/b/a Municipal Light and Power (ML&P). On April 18, 2019, the Commission issued Order No. U-19-020(1) and Order No. U-19-021(1) to address Chugach Electric Association Inc.'s (Chugach) petition to acquire most of ML&P's assets and ML&P's request for amendment of its certificate, respectively. Docket No. U-18-102 was consolidated with Docket Nos. U-19-020 and U-19-021, on May 8, 2019, with Order No. U-18-102(8)/U-19-020(2)/U-19-021(2). In that order the Commission designated Chugach as a party to Docket No. U-18-102. On May 28, 2020, the Commission issued Order No. U-18-102(44)/U-19-020(39)/U-19-021(39), conditionally approving the transaction and requiring a number of filings.

With TA494-8, Chugach proposed a methodology to establish a unified GTP. On October 9, 2020, the Commission issued Order No. U-19-085(19)/U-19-091(18)/U-20-071(1), suspending TA494-8, consolidating the dockets, scheduling a prehearing conference, appointing an administrative law judge, and assigning the Commission panel. On November 17, 2020, Chugach filed TA497-8, updating its GTP based on the methodology proposed in TA494-8. On December 29, 2020, the Commission issued Order No. U-19-085(22)/U-19-091(21)/U-19-071(4) suspending TA497-8, approving TA494-8 on an interim basis, and approving the GTP proposed in TA497-8 on an interim and refundable basis. On December 29, 2021, the Commission issued Order No. U-19-085(33)/U-19-091(32)/U-20-071(15) (Order No. U-19-085(33)) approving the tariff revisions on a permanent basis and setting out requirements for future filings related to the GTP and

BRU. In that order, the Commission required Chugach to file an update GTP and ARO using the results from the Ryder Scott Study.

Filing

Chugach now submits TA395-121 and TA517-8, updating its GTP and ARO in compliance with Order No. U-19-085(33). Chugach filed Tariff Sheet No. 73.1 with TA395-121 and Tariff Sheet No. 98 with TA517-8. In addition, Chugach filed four exhibits summarizing the GTP, ARO, projection of the cost of field abandonment, and calculating the ARO surcharge. Chugach filed one supplement to TA395-121 and TA517-8 to clarify dates in Exhibit 2.¹

Notice

A waiver of the public notice was granted on January 19, 2022.²

Analysis

Asset Retirement Obligation and ARO Surcharge

In Docket No. U-14-009, the Commission approved an ARO surcharge methodology for recovery, through the GTP, of estimated costs of retiring the BRU gas field at the time of field abandonment for ML&P. This surcharge is collected from ratepayers, through the GTP, and is deposited into a sinking fund that will be used at a future time to pay the cost of retiring the field. With the instant filings, Chugach reported the balance of the fund as of July 31, 2021, is \$20,808,833.11, which includes the surcharge revenue and earned interest for both the previously ML&P share and the Chugach share.³

The ARO surcharge, established in Docket No. U-14-009,⁴ has been calculated annually with both known⁵ and projected amounts⁶ in the COPA effective in the third quarter every year. With Order No. U-16-060(12)/U-16-073(11), the Commission required ML&P to update the ARO surcharge twice a year.⁷ With TA494-8, Chugach proposed to adopt the ARO surcharge methodology used by ML&P for Chugach's combined 66.67% working interest in the BRU. The ARO surcharge is calculated using the following formula:

$$\text{ARO Surcharge} = \frac{(\text{Remaining ARO Sinking Fund Retirement} - \text{Projected Interest Revenue in Future Years})}{\text{Projected Future BRU Production}}$$

With TA395-121 and TA517-8, Chugach proposes of ARO surcharge of \$0.12207, which has been rounded down to \$0.12 for inclusion in the GTP because Chugach rounds to two decimal places for its GTP calculation. A table showing the proposed calculation is below.

¹ See TR2200478, filed January 28, 2022.

² See TR2200253, filed January 19, 2022.

³ See TA395-121 and TA517-8, at Exhibit 4.

⁴ See Order No. U-14-009(2), at pages 5 and 11.

⁵ Current ARO Sinking Fund Balance. See TA509-8, at Exhibit 3.

⁶ Projected Interest Earnings and Future Gas Production. See TA509-8, at Exhibit 3.

⁷ See Order No. U-16-060(12)/U-16-073(11), *Order Granting in Part Request for Approval of Ratemaking and Accounting Treatment and Requiring Filings*, issued October 24, 2017, at pages 19 and 21.

		Current ARO	Current ARO	Difference
A	ARO Sinking Fund Balance at Beginning of Period	\$36,951,910	\$38,185,547	\$1,233,637
B	Projected Interest	(\$25,481,352)	(\$27,667,004)	(\$2,185,652)
C	Total to be Collected (A + B)	\$11,470,558	\$10,518,543	(\$952,015)
D	Total Future Production (MCF)	112,913,563	86,165,903	(26,747,660)
E	ARO Surcharge (C / D)	\$0.10159	\$0.12207	\$0.02049

The ARO surcharge is added to the GTP to establish the Transfer Price of Chugach Natural Gas Produced from the Beluga River Unit on Tariff Sheet Nos. 73.1 and 98. Staff reviewed the calculation provided with TA395-121 and TA517-8 and believes that it is consistent with Chugach's approved methodology. Staff believes that the ARO surcharge was accurately calculated and incorporated into the GTP.

GTP

With TA395 and TA517-8, Chugach proposes a GTP of \$3.60/Mcf. This is an increase from the current GTP of \$3.58/Mcf. A comparison of the current and proposed GTP can be found in the table below.

		TA509-8 ⁸	TA517-8 ⁹
A	Total Adjusted Revenue Requirement	\$18,370,931	\$18,370,931
B	MCFs	5,283,317	5,283,317
C	GTP (A/B)	\$3.48	\$3.48
D	ARO Surcharge	\$0.10	\$0.12
E	Transfer Price of BRU Gas (C+D)	\$3.58/Mcf	\$3.60/Mcf

This increase is a result of an increase in the ARO. Staff verified that the GTP was calculated using Chugach's approved methodology.

Tariff Sheets

Staff reviewed Tariff Sheet Nos. 73.1 and 98. Staff verified the proposed rates were calculated accurately using Chugach's approved methodologies, the proper support was filed, and the tariff sheets are correct.

CONCLUSION

With TA395-121 TA509-8 Chugach requests approval of an update to its GTP and ARO filed in compliance with Order No. U-19-085(33). Based on the discussion above, Staff recommends the Commission:

1. Approve Tariff Sheet No. 73.1, filed January 18, 2022, by Chugach with TA395-121. The effective date of the tariff sheet should be March 4, 2022.

⁸ See TA509-8, at Exhibit 1, page 2.

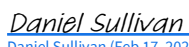
⁹ See TA395-121 and TA517-8, at Exhibit 1.


2. Approve Tariff Sheet No. 98, filed January 18, 2022, by Chugach with TA517-8. The effective date of the tariff sheet should be March 4, 2022.

Signature: 
Email: bob.pickett@alaska.gov

Signature: 
Keith Kurber II (Feb 17, 2022 08:58 AKST)
Email: keith.kurber@alaska.gov

Signature: 
Email: antony.scott@alaska.gov

Signature: 
Daniel Sullivan (Feb 17, 2022 11:23 AKST)
Email: daniel.sullivan@alaska.gov

Signature: 
Janis W. Wilson (Feb 17, 2022 13:33 AKST)
Email: janis.wilson@alaska.gov

RCA No. 121

Original

Sheet No. 73.1



Canceling

Sheet No. 73.1

Chugach Electric Association, Inc.



**TRANSFER PRICE OF CHUGACH ELECTRIC ASSOCIATION, INC.
NATURAL GAS PRODUCED FROM THE BELUGA RIVER UNIT**

N

Effective Date

Price (\$/Mcf)

January 1, 2021

\$2.73

April 1, 2021

\$3.39

October 1, 2021

\$3.58

March 4, 2022

\$3.60

N

Tariff Advice No. 395-121

Issued by:
Chugach Electric Association, Inc.
P.O. Box 196300 Anchorage, Alaska 99519-6300

Effective: March 4, 2022

RCA No. 8 16th Revision Sheet No. 98



Canceling
15th Revision

Sheet No. 98

RECEIVED
AUG 16 2021

STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

Chugach Electric Association, Inc.

TRANSFER PRICE OF CHUGACH ELECTRIC ASSOCIATION ELECTRIC, INC.
NATURAL GAS PRODUCED FROM THE BELUGA RIVER UNIT

<u>Effective Date</u>	<u>Price (\$/Mcf)</u>	
April 22, 2016	\$4.93	
July 1, 2017	\$4.43	
October 1, 2017	\$4.08	
July 1, 2018	\$4.76	
July 1, 2019	\$3.75	
September 1, 2019	\$2.85	
November 1, 2019	\$3.05	
July 27, 2020	\$5.10	
Post Acquisition:		
January 1, 2021	\$2.73	
April 1, 2021	\$3.39	
October 1, 2021	\$3.58	N

Pursuant to U-19-085(30)/U-19-091(29)/U-20-071(12)

Tariff Advice No. 509-8

Issued by:

Chugach Electric Association, Inc.

P.O. Box 196300 Anchorage, Alaska 99519-6300

Effective: October 1, 2021

RCA No. 8 17th Revision Sheet No. 98



Canceling
16th Revision

Sheet No. 98



Chugach Electric Association, Inc.

TRANSFER PRICE OF CHUGACH ELECTRIC ASSOCIATION, INC.
NATURAL GAS PRODUCED FROM THE BELUGA RIVER UNIT

<u>Effective Date</u>	<u>Price (\$/Mcf)</u>	
April 22, 2016	\$4.93	
July 1, 2017	\$4.43	
October 1, 2017	\$4.08	
July 1, 2018	\$4.76	
July 1, 2019	\$3.75	
September 1, 2019	\$2.85	
November 1, 2019	\$3.05	
July 27, 2020	\$5.10	
Post Acquisition:		
January 1, 2021	\$2.73	
April 1, 2021	\$3.39	
October 1, 2021	\$3.58	
March 4, 2022	\$3.60	N

Tariff Advice No. 517-8

Issued by:

Chugach Electric Association, Inc.

P.O. Box 196300 Anchorage, Alaska 99519-6300

Effective: March 4, 2022

TA395-121/TA517-8

BA-2

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